
V. I. Lenin, Speech at Plenary of the Moscow Soviet, 1922

Speech At A Plenary Session Of The Moscow Soviet[1]

November 20, 1922

(*Stormy applause*. *"The Internationale" is sung.*) Comrades, I regret very much and apologise that I have been unable to come to your session earlier. As far as I know you intended a few weeks ago to give me an opportunity of attending the Moscow Soviet. I could not come because after my illness, from December onwards, I was incapacitated, to use the professional term, for quite a long time, and because of this reduced ability to work had to postpone my present address from week to week. A very considerable portion of my work which, as you will remember, I had first piled on Comrade Tsyurupa, and then on Comrade Rykov, I also had to pile additionally on Comrade Kamenev. And I must say that, to employ a simile I have already used, he was suddenly burdened with two loads. Though, to continue the simile, it should be said that the horse has proved to be an exceptionally capable and zealous one. (*Applause.*) All the same, however, nobody is supposed to drag two loads, and I am now waiting impatiently for Comrades Tsyurupa and Rykov to return, and we shall divide up the work at least a little more fairly. As for myself, in view of my reduced ability to work it takes me much more time to look into matters than I should like.

In December 1921, when I had to stop working altogether, it was the year's end. We were effecting the transition to the New Economic Policy, and it turned out already then that, although we had embarked upon this transition in the beginning of 1921, it was quite a difficult, I would say a very difficult, transition. We have now been effecting this transition for more than eighteen months, and one would think that it was time the majority took up new places and disposed themselves according to the new conditions, particularly those of the New Economic Policy.

As to foreign policy, we had the fewest changes in that field. We pursued the line that we had adopted earlier, and I think I can say with a clear conscience that we pursued it quite consistently and with enormous success. There is no need, I think, to deal with that in detail; the capture of Vladivostok, the ensuing demonstration and the declaration of federation which you read in the press[2]the other day have proved and shown with the utmost clarity that no changes are necessary in this respect. The road we are on is absolutely clearly and well defined, and has ensured

us success in face of all the countries of the world, although some of them are still prepared to declare that they refuse to sit at one table with us. Nevertheless, economic relations, followed by diplomatic relations, are improving, must improve, and certainly will improve. Every country which resists this risks being late, and, perhaps in some quite substantial things, it risks being at a disadvantage. All of us see this now, and not only from the press, from the newspapers. I think that in their trips abroad comrades are also finding the changes very great. In that respect, to use an old simile, we have not changed to other trains, or to other conveyances.

But as regards our home policy, the change we made in the spring of 1921, which was necessitated by such extremely powerful and convincing circumstances that no debates or disagreements arose among us about it—that change continues to cause us some difficulties, great difficulties, I would say. Not because we have any doubts about the need for the turn—no doubts exist in that respect—not because we have any doubts as to whether the test of our New Economic Policy has yielded the successes we expected. No doubts exist on that score—I can say this quite definitely—either in the ranks of our Party or in the ranks of the huge mass of non-Party workers and peasants.

In this sense the problem presents no difficulties. The difficulties we have stem from our being faced with a task whose solution very often requires the services of new people, extraordinary measures and extraordinary methods. Doubts still exist among us as to whether this or that is correct. There are changes in one direction or another. And it should be said that both will continue for quite a long time. “The New Economic Policy!” A strange title. It was called a New Economic Policy because it turned things back. We are now retreating, going back, as it were; but we are doing so in order, after first retreating, to take a running start and make a bigger leap forward. It was on this condition alone that we retreated in pursuing our New Economic Policy. Where and how we must now regroup, adapt and reorganise in order to start a most stubborn offensive after our retreat, we do not yet know. To carry out all these operations properly we need, as the proverb says, to look not ten but a hundred times before we leap. We must do so in order to cope with the incredible difficulties we encounter in dealing with all our tasks and problems. You know perfectly well what sacrifices have been made to achieve what has been achieved; you know how long the Civil War has dragged on and what effort it has cost. Well now, the capture of Vladivostok has shown all of us (though Vladivostok is a long way off, it is after all one of our own towns) (*prolonged applause*) everybody’s desire to join us, to join in our achievements. The Russian Soviet Federative Socialist Republic now stretches from here to there. This desire has rid us both of our civil enemies and of the foreign enemies who attacked us. I am referring to Japan.

We have won quite a definite diplomatic position, recognised by the whole world. All of you see it. You see its results, but how much time we needed to get it! We

have now won the recognition of our rights by our enemies both in economic and in commercial policy. This is proved by the conclusion of trade agreements.

We can see why we, who eighteen months ago took the path of the so-called New Economic Policy, are finding it so incredibly difficult to advance along that path. We live in a country devastated so severely by war, knocked out of anything like the normal course of life, in a country that has suffered and endured so much, that willy-nilly we are beginning all our calculations with a very, very small percentage—the pre-war percentage. We apply this yardstick to the conditions of our life, we sometimes do so very impatiently, heatedly, and always end up with the conviction that the difficulties are vast. The task we have set ourselves in this field seems all the more vast because we are comparing it with the state of affairs in any ordinary bourgeois country. We have set ourselves this task because we understood that it was no use expecting the wealthy powers to give us the assistance usually forthcoming under such circumstances. [3] After the Civil War we have been subjected to very nearly a boycott, that is, we have been told that the economic ties that are customary and normal in the capitalist world will not be maintained in our case.

Over eighteen months have passed since we undertook the New Economic Policy, and even a longer period has passed since we concluded our first international treaty. Nonetheless, this boycott of us by all the bourgeoisie and all governments continues to be felt. We could not count on anything else when we adopted the new economic conditions; yet we had no doubt that we had to make the change and achieve success single-handed. The further we go, the clearer it becomes that any aid that may be rendered to us, that will be rendered to us by the capitalist powers, will, far from eliminating this condition, in all likelihood and in the overwhelming majority of cases intensify it, accentuate it still further. "Single-handed"—we told ourselves. "Single-handed"—we are told by almost every capitalist country with which we have concluded any deals, with which we have undertaken any engagements, with which we have begun any negotiations. And that is where the special difficulty lies. We must realise this difficulty. We have built up our own political system in more than three years of work, incredibly hard work that was incredibly full of heroism. In the position in which we were till now we had no time to see whether we would smash something needlessly, no time to see whether there would be many sacrifices, because there were sacrifices enough, because the struggle which we then began (you know this perfectly well and there is no need to dwell on it) was a life-and-death struggle against the old social system, against which we fought to forge for ourselves a right to existence, to peaceful development. And we have won it. It is not we who say this, it is not the testimony of witnesses who may be accused of being partial to us. It is the testimony of witnesses who are in the camp of our enemies and who are naturally partial—not in our favour, however, but against us. These witnesses were in Denikin's camp. They directed the occupation. And we know that their partiality cost us very dear, cost us

colossal destruction. We suffered all sorts of losses on their account, and lost values of all kinds, including the greatest of all values—human lives—on an incredibly large scale. Now we must scrutinise our tasks most carefully and understand that the main task will be not to give up our previous gains. We shall not give up a single one of our old gains. (*Applause.*) Yet we are also faced with an entirely new task; the old may prove a downright obstacle. To understand this task is most difficult. Yet it must be understood, so that we may learn how to work when, so to speak, it is necessary to turn ourselves inside out. I think, comrades, that these words and slogans are understandable, because for nearly a year, during my enforced absence, you have had in practice, handling the jobs on hand, to speak and think of this in various ways and on hundreds of occasions, and I am confident that your reflections on that score can only lead to one conclusion, namely, that today we must display still more of the flexibility which we employed till now in the Civil War.

We must not abandon the old. The series of concessions that adapt us to the capitalist powers is a series of concessions that enables them to make contact with us, ensures them a profit which is sometimes bigger, perhaps, than it should be. At the same time, we are conceding but a little part of the means of production, which are held almost entirely by our state. The other day the papers discussed the concession proposed by the Englishman Urquhart, who has hitherto been against us almost throughout the Civil War. He used to say: “We shall achieve our aim in the Civil War against Russia, against the Russia that has dared to deprive us of this and of that.” And after all that we had to enter into negotiations with him. We did not refuse them, we undertook them with the greatest joy, but we said: “Beg your pardon, but we shall not give up what we have won. Our Russia is so big, our economic potentialities are so numerous, and we feel justified in not rejecting your kind proposal, but we shall discuss it soberly, like businessmen.” True, nothing came of our first talk, because we could not agree to his proposal for political reasons. We had to reject it. So long as the British did not entertain the possibility of our participating in the negotiations on the Straits, the Dardanelles, we had to reject it, but right after doing so we had to start examining the matter in substance. We discussed whether or not it was of advantage to us, whether we would profit from concluding this concession agreement, and if so, under what circumstances it would be profitable. We had to talk about the price. That, comrades, is what shows you clearly how much our present approach to problems should differ from our former approach. Formerly the Communist said: “I give my life", and it seemed very simple to him, although it was not always so simple. Now, however, we Communists face quite another task. We must now take all things into account, and each of you must learn to be prudent. We must calculate how, in the capitalist environment, we can ensure our existence, how we can profit by our enemies, who, of course, will bargain, who have never forgotten how to bargain and will bargain at our expense. We are not forgetting that either, and do not in the least imagine commercial people anywhere turning into lambs and, having turned into lambs, offering us blessings of all sorts for nothing. That does not happen, and we do not expect it, but

count on the fact that we, who are accustomed to putting up a fight, will find a way out and prove capable of trading, and profiting, and emerging safely from difficult economic situations. That is a very difficult task. That is the task we are working on now. I should like us to realise clearly how great is the abyss between the old and the new tasks. However great the abyss may be, we learned to manoeuvre during the war, and we must understand that the manoeuvre we now have to perform, in the midst of which we now are, is the most difficult one. But then it seems to be our last manoeuvre. We must test our strength in this field and prove that we have learned more than just the lessons of yesterday and do not just keep repeating the fundamentals. Nothing of the kind. We have begun to relearn, and shall relearn in such a way that we shall achieve definite and obvious success. And it is for the sake of this relearning, I think, that we must again firmly promise one another that under the name of the New Economic Policy we have turned back, but turned back in such a way as to surrender nothing of the new, and yet to give the capitalists such advantages as will compel any state, however hostile to us, to establish contacts and to deal with us. Comrade Krasin, who has had many talks with Urquhart, the head and backbone of the whole intervention, said that Urquhart, after all his attempts to foist the old system on us at all costs, throughout Russia, seated himself at the same table with him, with Krasin, and began asking: "What's the price? How much? For how many years?" (*Applause.*) This is still quite far from our concluding concession deals and thus entering into treaty relations that are perfectly precise and binding—from the viewpoint of bourgeois society—but we can already see that we are coming to it, have nearly come to it, but have not quite arrived. We must admit that, comrades, and not be swell-headed. We are still far from having fully achieved the things that will make us strong, self-reliant and calmly confident that no capitalist deals can frighten us, calmly confident that however difficult a deal may be we shall conclude it, we shall get to the bottom of it and settle it. That is why the work—both political and Party—that we have begun in this sphere must be continued, and that is why we must change from the old methods to entirely new ones.

We still have the old machinery, and our task now is to remould it along new lines. We cannot do so at once, but we must see to it that the Communists we have are properly placed. What we need is that they, the Communists, should control the machinery they are assigned to, and not, as so often happens with us, that the machinery should control them. We should make no secret of it, and speak of it frankly. Such are the tasks and the difficulties that confront us—and that at a moment when we have set out on our practical path, when we must not approach socialism as if it were an icon painted in festive colours. We need to take the right direction, we need to see that everything is checked, that the masses, the entire population, check the path we follow and say: "Yes, this is better than the old system." That is the task we have set ourselves. Our Party, a little group of people in comparison with the country's total population, has tackled this job. This tiny nucleus has set itself the task of remaking everything, and it will do so. We have

proved that this is no utopia but a cause which people live by. We have all seen this. This has already been done. We must remake things in such a way that the great majority of the masses, the peasants and workers, will say: “It is not you who praise yourselves, but we. We say that you have achieved splendid results, after which no intelligent person will ever dream of returning to the old.” We have not reached that point yet. *That is why NEP remains the main*, *current*, *and all embracing slogan of today.* We shall not forget a single one of the slogans we learned yesterday. We can say that quite calmly, without the slightest hesitation, say it to anybody, and every step we take demonstrates it. But we still have to adapt ourselves to the New Economic Policy. We must know how to overcome, to reduce to a definite minimum all its negative features, which there is no need to enumerate and which you know perfectly well. We must know how to arrange everything shrewdly. Our legislation gives us every opportunity to do so. Shall we be able to get things going properly? That is still-far from being settled. We are making a study of things. Every issue of our Party newspaper offers you a dozen articles which tell you that at such-and-such a factory, owned by so-and-so, the rental terms are such-and-such, whereas at another, where our Communist comrade is the manager, the terms are such-and-such. Does it yield a profit or not, does it pay its way or not? We have approached the very core of the everyday problems, and that is a tremendous achievement. Socialism is no longer a matter of the distant future, or an abstract picture, or an icon. Our opinion of icons is the same—a very bad one. We have brought socialism into everyday life and must here see how matters stand. That is the task of our day, the task of our epoch. Permit me to conclude by expressing confidence that difficult as this task may be, new as it may be compared with our previous task, and numerous as the difficulties may be that it entails, we shall all—not in a day, but in a few years—all of us together fulfil it whatever the cost, so that NEP Russia will become socialist Russia. (*Stormy*, *prolonged applause.*)

Endnotes

[1] Lenin spoke at the Plenary Meeting of the Moscow Soviet, which held a joint sitting with all the district Soviets in Moscow, in the evening of November 20, 1922. This was his last public speech.

[2] The decision adopted by the People’s Assembly of the Far Eastern Republic on November 14, 1922, to join the R.S.F.S.R. This decision was published on November 15, 1922. The full text of the decision was published in the newspapers on November 21, 1922, after Lenin had made his speech.

[3] In the verbatim report the text reads further: “and that even if we took into consideration the extremely high, say such-and-such a rate of interest, that is imposed in these circumstances on a country that, to use the accepted term, is rendered aid. Properly speaking, these rates of interest are very far from being aid. To put it bluntly, they would deserve a far less polite term than the word aid, but even these usual conditions would have been onerous for us.”

From: http://www.marxists.org/archive/lenin/works/1922/nov/20.htm

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The Brutal Side of Capitalist Development

("The State-Market Debate")

David Moore, Thisday, Johannesburg, Friday July 23, 2004

South Africa's current development debate is hardly unique. It's not only here that governments and critics wax and wane from "neo-liberal" GEARs and social-welfarist RDPs, question the length of "short-term pain", and ask how many "economies" can fit into how many floors in one house.

As Thabo Mbeki's citations from Will Hutton, US statisticians and EU policies and tony Leon's vapid rapid response indicate, such arguments proceed afar and draw on globally contested world-historical ideologies.

These musings, however, have so far avoided capitalism's long and violent evolution – and the state's tightly bound relationship with an emerging bourgeoisie, its contending fractions and opposing classes.

"New" South African policy directions are rooted in development debates in circulation after the Second World War. These in turn are layered in deliberations about the roots of capitalism – long before the memories of the ahistorical discipline of development studies and politicians' even shorter ones.

The short history of "development" goes as follows: As the "third world" arrived on the global stage so did the new sub-discipline of "development economics" within the Bretton Woods institutions. The goal: to ease the further integration of the decolonised parts of the world into the capitalist mode of production while simultaneously keeping them away from the lures of "Communism".

The lines were drawn between statists and those who saw the state as the breeding ground for corruption and inefficiency at best, and authoritarianism at worst. Until the crisis of the mid-1970s, the former dominated – aided by the intellectual hegemony of Keynesianism, the memories of the Great Depression and the Second World War, the success of the Marshall and dodge plans in western Europe and Japan, and the speedy industrialisation of the Soviet union (Stalinism's murderous side was all but ignored).

When this golden age of capitalism lost its tarnish – the oil crisis was not the only cause of its demise, nor the debt crisis its only upshot – the statists lost the lead to Friedrich Hayek's market-libertarian disciples. According to this narrative, neo-liberalism held sway for the next quarter-century.

However, neo-liberal proselytisers were as naïve about the market's magic as were statists about their institution's neutrality and planning capacity. While neither ideology was implemented fully, they were both blind to capitalism's violent historical emergence.

Only now, after evidence of the disastrous consequences of structural adjustment, the voices of the development agencies such as the United Nations Development Programme are being heard. Has the "development state" returned? Is the language of "public goods" gaining more legitimacy than "private accumulation"?

"Development" in its many guises is a "public good", we hear. It's too hard for the market to provide so the state – local or global – should. Even the World Bank sounds more like the Salvation Army than the Bog Business Brigade. Thus in South Africa it's become cool for politicians to implement "public works" for the poor unemployed, "public accumulation" for the benevolent new bourgeoisie, and "public-private partnerships" for bureaucrats and businesspeople. The state is back – as long as we can increase its employees' capacity.

Both statists and marketeers have learned their lessons: statists know the dangers of Stalinism and cronyism while marketeers realise the need for "good governance states" with the redistributive capacity to cushion the blows "development" delivers to the poor and to move them a few steps towards the top floor.

In the wider world, the kind words of Amartya Sen's *Development and Freedom* and his co-chaired Commission on Human Security's report *Human Security Now* dominate development textbooks and op-ed pages. IMFers are confined to the business news pages: quietly dominant instead of actively hegemonic.

Yet all are united against the neo-cons who invade instead of develop. "Make development, not war" they cry after the US's most recent attempt to accumulate by dispossessing another state, as David Harvey's *New Imperialism* would have it. As they move inot Iraq they forget the intractable links between development and force.

Such happy synergistic tales also ignore history. "State" and "market" were inseparable during capitalism's primitive accumulation stage. The "market" did not entice peasants and serfs to sell their magically "free" labour to it: it needed the

“state” to force serfs off the land “privatised” by their lords-cum-agrarian capitalists, and to gather resources form societies antecedent to and surrounding it.

Yet, as Michael Perelman’s *The Invention of Capitalism* tells us, while Adam Smith hid capitalism’s brutal genesis behind invisible hands, his contemporaries did not. They knew “development” could not happen spontaneously, and that capitalists and states’ dealings were far from “arms-length”.

Nor did this process happen within the bounds of one state: the resources and labour of many continents fed into capitalism’s text-book case. New states, new capitalists, new imperial conquests, and new wars were all part of the package. With late-developers like Germany, the strings of state and capital were tied even more tightly together. And if history does not appeal as a lesson book, China might.

Why should it be any different now, in South Africa and the continent? In Africa, capitalism’s development is either in a very protracted birth or stalled (one version of primitive accumulation theory has Africa in a permanent patchwork of resource enclaves, warlordism, and “subsistence” which is somehow functional to international capital – but things seem more complicated than that).

International development midwives hesitate at the choice of Caesarian section or abortion. In “self-reliant” Zimbabwe, the “public accumulation” model gets a bad name as its party-state class bulldozes one racially defined fraction of capital in an attempt to invent a new yeomanry, while trying to keep black contenders off the scene.

South Africa’s social relations of production are the continent’s most “capitalist”, but over 30 percent of its population still live within “traditional” (liberal-speak for pre-capitalist) relations.

Are the informals and unemployed half-way to capitalism or totally embedded in a “capitalism of a special type”?

South Africa and its hinterlands face the contradictions of public and private accumulation that have confronted developing capitalisms everywhere. With well over 30 percent of the continent’s GDP, South Africa is Africa’s hegemon.

It cannot stop from exporting capitalism’s birth pangs, be they through Nepad or MTN. The debates about whether variations on this theme are “left” or “right” seem oddly beside the point.

History tells us, though, that the morass of primitive accumulation is cut through with strong doses of authoritarianism mediated only by vibrantly emerging working

classes. For that reason alone, neither leftists nor liberals should counsel less pressure from below.

Without it, states foster wasteful conspicuous consumption, not productive public accumulation.

- *David Moore teaches at the University of KwaZulu-Natal. These thoughts originate in a policy paper for the Rosa Luxemburg Foundation, and are elaborated further in February's* Third World Quarterly. *His edited book on the World Bank will be out soon.*

National Assembly Statement on IPAP2

by Dr Rob Davies, Minister of Trade and Industry

February 18 2010

Speaker,
Members of the Cabinet,
Honourable Members of this House,

Today we are tabling before Parliament and also making public, the 2010/11 - 2012/13 Industrial Policy Action Plan (IPAP).

IPAP2, as it has become known, builds on the National Industrial Policy Framework (NIPF) and the 2007/8 IPAP. It represents a significant step forward in scaling up our efforts to promote long term industrialisation and industrial diversification beyond our current reliance on traditional commodities and non-tradable services. Its purpose is to expand production in value-added sectors with high employment and growth multipliers that compete in export markets as well as compete in the domestic market against imports. In so doing, the Action Plan also places emphasis on more labour absorbing production and services sectors, the increased participation of historically disadvantaged people and regions in our economy and will facilitate, in the medium term, SA's contribution to industrial development in the African region.

As a country, South Africa has no alternative to the course of action we propose. Manufacturing and other productive sectors of the economy, are the engines of long-term sustainable growth and job creation in developing countries such as our own. However, SA's recent growth was driven to too great an extent by unsustainable growth in consumption, fuelled by credit extension. Between 1994 and 2008 consumption driven sectors grew by 7.7% annually, compared with the productive sectors of the economy which grew by only 2.9% annually. This has meant that even at the peak of our average annual growth - 5.1% between 2005 and 2007 - unemployment did not fall below 22.8%.

Manufacturing - which constitutes a sizeable chunk of our value added production - has not enjoyed sufficient dynamism. This is mainly because the relative profitability of manufacturing has been low as a result of a number of factors. These include:

- A volatile and insufficiently competitive currency;
- The high cost of capital relative to our main trading partners; particularly that channelled towards value-added sectors such as manufacturing, resulting in a too limited allocation of capital to these sectors;
- The monopolistic provision and pricing of key inputs into manufacturing;
- An aged, unreliable and expensive infrastructure system;
- A weak skills system; and
- The failure to adequately leverage public capital and other large and repetitive areas of public expenditure.

The negative, unintended consequences of this growth path are manifold they include large and unsustainable imbalances in the economy, continued high levels of unemployment and a large current account deficit. These weaknesses have been exacerbated by the global recession. Taken together these challenges are enormous and make it critical that we upscale our industrial policy efforts, building on the achievements of the 2007/8 IPAP.

The 2010/11 - 2012/13 Industrial Policy Action Plan rests on four cornerstones, which are spelt out in detail in the full IPAP2 document which is being tabled today.

First, government intends to develop proposals to enhance access to concessional industrial financing for investment in IPAP priorities, and other productive sectors on terms comparable to those of our major trading partners. Increased investment in these sectors will generate a mix of import replacement and exports which will help to lower the current account deficit and reduce balance of payments risks. Increased supply in productive sectors will help lower price pressures and hence will assist in moderating inflation. It will also contribute to the medium-long term objective of diversifying the structure of our economy.

Second, government will revise procurement legislation, regulations and practices to enable the designation of large, strategic and repeat or ‘fleet' procurements in a range of sectors. This will aim to sequentially increase competitive local procurement and supplier development opportunities, minimise ‘leakages' from the domestic economy, and support meaningful Broad Based Black Economic Empowerment (B-BBEE) in all 3 spheres of government and in SOE's.

Third, government will deploy its trade policies more strategically. This includes intensifying the campaign led by SARS against practices such as customs fraud, under invoicing, smuggling and illegal imports - all of which profoundly undermine productive capacity and employment in the economy. Trade policy instruments such as tariffs will be deployed on a strategic basis underpinned by the imperatives of our sector strategies. Standards, Quality Assurance and Metrology (SQAM) institutions and practices - otherwise known as Technical Infrastructure - will be strengthened to support the development, accreditation and enforcement of

standards and bolster other measures to create, scale up and resuscitate certain industries.

Fourth, anti-competitive practices will be targeted, particularly where these concern intermediate inputs to downstream labour absorbing production as well as consumer goods to low income households. This applies especially to products such as carbon and stainless steel, chemical polymers, fertilisers and aluminium, amongst others and will build on the very positive achievements of the Competition authorities in the recent past.

These cross-cutting interventions will underpin focussed and significant interventions in three clusters of sectors.

First, sectors including metals fabrication, capital and transport equipment, green and energy saving industries and agroprocessing, will be qualitatively new areas of focus of industrial policy.

Second, we will build on and broaden interventions in sectors which were identified in the first Industrial Policy Action Plan, namely, automotives and components, medium and heavy vehicles; plastics, pharmaceuticals and chemicals; clothing, textiles, footwear and leather; bio-fuels; forestry, paper, pulp and furniture; cultural industries and tourism and Business Process Services (or Call Centres.) The third cluster focuses on sectors in which we have the potential to develop long-term advanced capabilities: nuclear, advanced materials and aerospace.

In each of these sectors a careful and strategic combination of policy instruments is set out in some detail in the IPAP2.

IPAP2 is a product of extensive collaborative work by the Economic Sectors and Employment Cluster of Ministers. Its adoption by the National Cabinet follows extensive engagement with other Departments, state owned enterprises (SOE's), government agencies and institutions. It has been widely canvassed with labour and business organisations. IPAP2 is one component of a broader effort to integrate inter-related policies to place us onto a new growth path - work that is being led by the Minister of Economic Development, Ebrahim Patel.

IPAP2 is now a public document. The Portfolio Committee on Trade and Industry has scheduled public hearings to allow for further consultation. It will be formally presented to the NEDLAC Trade and Industry Chamber in the near future. The dti remains open to further concrete proposals and suggestions to strengthen the action plan.

IPAP2 is a ‘living document' which outlines a range and combination of industrial policy interventions and instruments to address the critical challenges of our economy. IPAP will from now on take the form of a three year rolling action plan, which will be strengthened and refined on an annual basis. IPAP will identify the lead and partner departments and institutions responsible for its implementation. It

underlines the necessity for the integration and alignment of the work of government departments and institutions. It identifies the constraints and risks, economic rationale, economic outcomes and Key Action Plans (KAP's) for each one of these actions. It attaches ambitious but realisable timelines to this work. Its implementation will be reviewed and monitored against these measurable actions and it will be the subject of annual amendment and strengthening.

It is estimated that the IPAP will result in the creation of 2 477 000 direct and indirect decent jobs over the next ten years. It will diversify and grow exports, improve the trade balance, build long term industrial capability, grow our domestic technology and catalyse skills development.

It is neither a wish list nor a set of unattainable objectives. It is an action plan which, like any other, will require sustained and focussed work and perseverance if it is to succeed - which it must do. Above all it is a call to our workers, our industry and business leaders, our public servants and our citizens at large, to join hands with government to build our economy and a better life for all.

By working together we can do more.

In conclusion, I wish to thank the staff of the dti and in particular the DG, Tshediso Matona and the DDG of the Industrial Development Division, Nimrod Zalk, who have worked on the policy and action plan. I also want to thank officials from other government departments who participated in the regular IP meetings we held to produce the current IPAP. My gratitude also goes to my fellow Ministers in the Economic Sectors and Employment Cluster for their contributions and support. Finally I am indebted to Deputy Ministers Thandi Tobias-Pokolo and Maria Ntuli.

From: http://www.thedti.gov.za/ipap/IPAP_Ministers_NA_Statement.pdf

The full 95-page 2010/11 – 2012/13 Industrial Policy Action Plan is at:

http://www.thedti.gov.za/ipap/IPAP2010-2013_18_FEB_2010.pdf (1038 KB PDF)

Economic Development Department Statement, 23 Nov 2010

The new growth path: the framework

Download the New Growth Path Framework launched by E Patel

at http://www.info.gov.za/view/DownloadFileAction?id=135748

[36 pages, PDF]

Minister Ebrahim Patel released the framework of the New Economic Growth Path at Tuynhuis today, presenting to the public a policy aimed at enhancing growth, employment creation and equity. The policy's principal target is to create five million jobs over the next ten years.

Addressing the Parliamentary Portfolio committee via video-link from Pretoria, Minister Patel said, "This document reflects Government's commitment to prioritising employment creation in all economic policies. It lays out strategies to enable South Africa to grow in a more equitable and inclusive manner in the future, fulfilling the promise of our democracy."

He added, "The centrepiece of the new growth path is a massive investment in infrastructure and people through skills development, together with smart government and better coordination with the private sector and organised labour so that we can achieve our national goals."

Minister Patel stressed that, "The shift to a new growth path challenges every South African to contribute to building our nation over the coming twenty years. It demands collective efforts, creativity and solidarity across South African society. It will require leadership and strong governance. It takes account of the new opportunities that are available to us, the strengths we have and the constraints we face."

“The key challenge will be that of implementation and we are frank about the need for a more coordinated and effective state. We have too many agencies and too little coordination between them. We can only achieve our jobs targets if the state performs better and if the private sector grows in labour-absorbing parts of the economy. The growth path proposes ways to achieve that”, he said.

Areas of priority

Infrastructure development is identified as a critical driver of jobs across the economy. The document identifies investments in five key physical and social infrastructure areas, namely energy, transport, communication, water and housing. The sustaining of high levels of public investment in these areas would create jobs in construction, operation and maintenance of infrastructure.

The New Growth Path sees the infrastructure programme as a trigger to build a local supplier industry for the manufacture the components for the build-programme. Specific measures, particularly changes to procurement policy and regulations, are identified to ensure this is achieved.

The New Growth Path sets out an ambitious programme to create jobs, through a series of partnerships between the state and the private sector that builds on our strengths in the following areas:

- In *the green economy*, expansions in construction and the production of technologies for solar, wind and biofuels is supported by the draft plan for electricity (IRP 2), which proposes that green energy sources contribute 30% of new energy generation in the next 20 years. Clean manufacturing and environmental services is projected to create 300 000 jobs over the next decade.
- Jobs will be created in *agriculture* through interventions to improve efficiency by addressing the high costs of fertiliser and other inputs and by upscaling processing and export marketing. More livelihoods can also be created through support for smallholders, including access to seeds, silos, tractors, finance, marketing, water, extension services and other key inputs. In addition, government will explore ways to improve working and living conditions for the country’s 660 000 farm workers. The New Growth Path also commits the government to unblocking stalled land transfers which constrain new investment.
- In the *mining* sector, the document calls for increased mineral extraction through reviewing the existing legal framework and improving infrastructure and skills development. It focuses support for beneficiation on the final manufacture of consumer and capital goods, which can create large-scale

employment, rather than only on smelting and refining, which are relatively capital and energy intensive. It foresees the establishment of a state mining company concentrating on beneficiation and enhanced resource exploitation in competition with a strong private mining sector.

- The New Growth Path calls for re-industrialisation in the South African economy based on improving *manufacturing* performance through innovation, strong skills development and reduced input costs in the economy. The document targets a doubling of South Africa's research and development investment to 2% of GDP by 2018.
- It identifies the employment potential of *tourism and other high-level services* and calls for South Africa to position itself as the higher education hub of the African continent.

Policy packages

The document recognises the need for a coordinated set of actions across a broad front and identifies a "development package" consisting of macroeconomic strategies, microeconomic measures and stakeholder commitments to drive employment and economic growth.

In a number of areas, the document recognises the challenges of an uncompetitive currency and sets out clear steps for government to address the impact of the rand on the economy and jobs. This includes a somewhat looser monetary policy with lower interest rates, greater building of foreign reserves and a sovereign wealth fund to manage foreign reserves more actively. The document notes that the monetary policy stance will do more to support a competitive exchange rate while continuing to target low and stable inflation.

The New Growth Path requires that government widen the range of tools that it uses to address inflation. This will involve a stronger role for competition policy and strategic investigations into conduct leading to high and volatile prices for intermediate inputs for producers and basic consumer goods, includingimportant commodities such as maize, steel and fertilisers.

To ensure that looser monetary policy does not cause high inflation and to support a sustainable macroeconomic framework, the document identifies the need for slower growth in public expenditure, with real growth at around 2% per annum over the next few years. However, the document recognises the need for additional resources on a number of key priorities set out in the New Growth path.

In order to secure the necessary resources, vigorous effort will be undertaken to cut wasteful spending, tackle corruption and align the allocation of public money with developmental priorities. These efforts should release significant resources for

employment-related and infrastructure programmes. The New Growth Path also foresees innovative ways to raise funds for development, ranging from a development bond to more active use of the balance sheets of the Development Finance Institutions. The Industrial Development Corporation has been asked to significantly expand its pool of investible funds and the Public Investment Corporation is expected to align investment decisions with development goals more rigorously.

The document calls for a broad pact between business, labour and government aimed at fostering employment creation whilst enhancing competitiveness and social equity and development goals. The pact will include commitments on wages, prices, savings and jobs. The proposal on commitments to lower prices by businesses particularly concerns input costs and basic consumer goods.

This is accompanied by a proposal, for discussion with business and labour, for moderate wage settlements linked to clear commitments by business to save jobs, create new jobs and address inequality. For employees earning between R3000 and R20 000 a month, it proposes a modest increase above inflation. Pay increases for workers earning under R3000 would not be constrained, while increases for those earning above R20 000 to R45 000 a month would peg inflation. High-earners taking home over R45 000 a month would see increases below inflation or capped. Restraint in executive pay and bonuses would address excessive pay differentials and display solidarity across society.

Government would in turn commit to maintain the real value of social grants and improve the social wage, that is, housing, healthcare and education.

The New Growth Path calls for a major rethink of the BEE framework and policy and points to a number of weaknesses in the current operation of BEE, including the excessive focus on transactions that involve existing assets and benefit a relatively small number of individuals. The New Growth Path seeks to place BBBEE in a growth and employment framework. It calls for a substantial revision of BBBEE Codes to increase employment, skills development and new investment.

On labour market policy, the document pursues three objectives: to promote partnerships for productivity improvements, to address concerns about the vulnerability of workers in the labour market, and to ensure more efficient decision-making. It calls for productivity pacts between business and labour at workplace and sector level. It commits to action by government to reduce worker vulnerability by addressing problems in contract work, sub-contracting, outsourcing and labour broking. Reforms to the CCMA should also reduce abuse by managerial and other high-level staff.

Laying the basis for implementation

The New Growth Path identifies measures to strengthen the capacity of the state and enhance the performance of the private sector to achieve the employment and growth goals.

The New Growth Path proposes major improvements in government, with a call for slashing unnecessary red-tape, improving competition in the economy and stepping up skills development.

The New Growth Path sets targets for scarce and key skills and identifies the role of government departments and agencies in working to meet these goals. This emphasis on skills applies across the economy and will be a centrepiece of partnership with business and labour. Key targets include the aim to produce:

- 30 000 more engineers by 2014, with an improved focus on high school maths and science and changes to university funding formulae to achieve this, and
- 50 000 more artisans by 2015, with annual targets for Eskom and Transnet and for individual SETAs to achieve this.

The document calls for stepping up the focus on workplace training, targeting on-the-job training and refresher programmes for 10% of the workforce every year. It also calls for measures to make it easier to import scarce skills by streamlining the work permit and visa system. This will be accompanied by a skills transfer programme to ensure that local skills development is enhanced.

It recognises that South Africa cannot develop as an enclave in Africa. It identifies major opportunities on the African continent and calls for greater focus by South African business on opportunities in Africa's fast-growing economies. This is accompanied by commitments to improve cross-border infrastructure and measures to address unnecessary regulatory obstacles to the movement of people and goods, as part of building a common market on the continent.

It sees active stakeholder engagement and collective action as central to building a better South Africa. It requires that the government (a) facilitate national and workplace productivity accords, (b) support community organisation, including through the Community Works Programmes and other delivery mechanisms that build community and collective action, and (c) strengthen existing institutions for social dialogue, including Nedlac, sectoral and local forums.

The implementation process for the New Growth Path must manage key risks as well as ensuring clear prioritisation. These risks include the still fragile global recovery; competition and collaboration with the new fast-growing economies; and competing interests domestically.

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